

# *Early Warning Report Kosovo*

*Report #8*

*September-December 2004*



**USAID**  
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***EARLY WARNING SYSTEM –  
A systematic Approach to  
Conflict Prevention***

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The Kosovo Early Warning System Project is aimed at building the capacity of local analysts to foresee potential crises, and based on its findings to advise on crisis prevention policies. The Reports are intended as strategic planning, response, and policy tools for development and peace-building actors in Kosovo by deriving recommendations for preventative measures from trend analysis and monitoring of key sector indicators of fundamental conflict-causing factors.

The Early Warning System Project is a UNDP regional initiative; at present most SEE UNDP Programmes produce Early Warning Reports on a periodic basis. The Kosovo Reports are cofunded by USAID and UNDP, and implemented by the Institute for Development Research “Riinvest” and independent Kosovo analysts.

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## SELECTED INDICATORS

	2003	Jan-Apr 2004	May-Aug 2004	Sep-Dec 2004	Trend
GDP growth rate (annual), %	3.6 <sup>1</sup>	5.0 <sup>1</sup>			↗
Inflation rate (annual), %	1.0 <sup>1</sup>	1.5 <sup>1</sup>			↗
Bank deposits, million €	457.5 (Apr-Jun)	541.4 (Feb)	615.6 (Jul)	638.0 (Oct)	↗
Commercial bank loans, million €	205.2 (Oct)	252.8 (Feb)	327.9 (Jul)	365.0 (Oct)	↗
Trade balance, million €	-704,5	-660,6			↘
Registered job-seekers	280,923 (Nov)	287,265 (Feb)	298,036 (Jul)	300.697 (Nov)	↗
Consumer Price Index, % (compared to May 2002)	103.4 (Nov)	103.5 (Mar)	99.9 (Jul)	99.7 (Sep)	↘
Basic pensions (per month), €	35	40	40	40	↔
Political pessimism, % ("Not satisfied" or "not satisfied at all" with current political trends)	47.9	45.4	46.6	38.7	↘
Economic pessimism, % ("Not satisfied" or "not satisfied at all" with current economic trends)	71.8	75.3	70.7	67.7	↘
Subjective welfare pessimism, % (Economic situation in the family equal or worse than six months ago)	86.5	91.8	90.6	87.0	↘
Satisfaction with UNMIK's performance*, %	28.4	24.7	20.7	24.1	↗
Satisfaction with SRSG's performance, %	43.1	32.4	-	69.9	↗
Satisfaction with Government's performance, %	68.5	73.4	71.9	72.2	↔
Satisfaction with Assembly's performance, %	65.3	64.3	59.1	64.5	↗
Satisfaction with KFOR's performance, %	77.6	83.0	81.0	85.7	↔
Return of refugees, number of returnees	3,801	1,495**			-
Personal security, % ("Somewhat safe" or "very safe" while outdoors)	51.5	56.6	56.2	48.9	↘

<sup>1</sup> - IMF assessments of November 2004

\* - "Satisfied" or "very satisfied" with the performance of institutions

\*\* - According to UNHCR data, the total number of returnees during the period 2000-2004 is 11,411

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AAK	Aleanca për Ardhmërinë e Kosovës/ Democratic Alliance of Kosovo
BPK	Bank and Payment of Kosovo
CPI	Consumer Price Index
EWB	Early Warning Report
EWS	Early Warning System
GDP	Gross Domestic Product
ICG	International Crisis Group
IMF	International Monetary Fund
KCB	Kosovo Consolidated Budget
KEK	Korporata Energjetike e Kosovës/ Kosovo Energy Corporation
KFOR	Kosovo Forces
KLA	Kosovo Liberation Army
KPS	Kosovo Police Service
KTA	Kosovo Trust Agency
LDK	Lidhja Demokratike e Kosovës/ Democratic Union of Kosovo
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OSCE	Organization for Security and Cooperation in Europe
PDK	Partia Demokratike e Kosovës/ Democratic Party of Kosovo
PISG	Provisional Institution of Self-Government
PTK	Post and Telecommunication of Kosovo
SRSG	Special Representative of Secretary General
UNDP	United Nations Development Programme
UNMIK	United Nations Interim Administration Mission in Kosovo
USAID	United States Agency for International Development

## *Executive Summary*

1. The September-December 2004 period was almost completely characterized by:

- a) the electoral process for the central Kosovo institutions on October 23, 2004;
- b) the formation of the government and the approval of the government program;
- and c) the process of the implementation of "Standards for Kosovo".

Macroeconomic trends, inter-ethnic relations and the public and personal security did not marked significant changes compared to the previous report.

a) The main features of the October elections were: i) the elections were free and fair; ii) the percentage of the voting turn out was lower (53.6%) than in previous central elections (64%); iii) only 0.3% of the Kosovo Serb voters turned out in the elections; iv) no significant change in the percentages of the votes won by the three largest parties in comparison to previous elections; v) the civic list "ORA" won 6.2% of the votes, although participating in the elections for the first time, becoming the fourth strongest political force in Kosovo; vi) no political party managed to secure the parliamentary majority necessary for the formation of the Government by itself.

b) Contrary to the former broader government coalition made up of the three largest parties of the time, the new coalition government is led by two parties (LDK and AAK); the second largest party, the PDK, remained in opposition, where jointly with the civic list "ORA" it may play an important opposition role.

The formation of the current government coalition with Mr. Ramush Haradinaj in the post of Prime Minister was initially accompanied by hesitation and opposition in diplomatic circles and in Kosovo opposition circles. Yet, the first evaluations of the work of the new Government during the first month of its activity are more than positive.

In general, since the arrival of the SRSG Mr. Søren Jessen-Petersen there has been a considerable relaxation of the relations between UNMIK and the PISG. Simultaneously, opinion poll has recorded an increase in the satisfaction with the work of the SRSG and UNMIK.

c) The March 2004 crisis imposed the necessity of reformulating the strategy of "standards before status" into a much more pragmatic strategy – the strategy of "Standards for Kosovo". The volume of the predicted standards was such that they could hardly be fulfilled within a relatively short time frame – by June 2004. This fact has led to a narrowing down of priorities in implementing Standards. The almost exclusive engagement of political bodies with the October 2004 elections has caused a delay in the implementation of Standards. The new government of Kosovo has been showing a high degree of determination and a very operational attitude concerning the implementation of Standards.

2. This Report point out that, despite of some improvements and new strategies/ incentives agreed during the last few months, there are factors that may influence the general stability in Kosovo:

- a) The implementation of Standards is being carried out under considerable time pressure, as it is anticipated that, depending upon the level of their implementation, negotiations about the final status of Kosovo should start within a short time period – sometime around the middle of 2005;

- b) The serious obstruction to the implementation of Standards related to inter-ethnic relations comes from official Belgrade, which influenced Kosovo Serbs to boycott the parliamentary elections of October 2004 and to continue the boycott of Kosovo's Assembly;
- c) In the majority of municipalities deficiencies related to the implementation of Standards are evidenced, particularly in the lack of medium-term programs for sustainable returns and for the protection of rights of ethnic communities;
- d) There are insufficient budgetary means for the implementation of programs and activities related to Standards;
- e) Conceptual differences between Belgrade and Kosovo Serbs on one side, and the PISG and the international community on the other regarding decentralization still remain very pronounced and unchanged;
- f) Some unfavorable economic trends from the previous period continued, while some new emerged: i) a large trade deficit; ii) a steady increase of registered number of unemployed; iii) a low level of payment of electricity bills by consumers, as well as low level of production of electrical energy; iv) low intensity dynamics of the implementation of the privatization process; v) a budget deficit by the end of the year; and vi) budgetary difficulties related to the implementation of the Collective Agreement.
- g) Albanian and Serb respondents continue to express entirely opposite views considering issues on which depends the future of Kosovo, especially regarding the future status of Kosovo. About 91% of Albanians are in favor of the independence of Kosovo within the current administrative borders, while 92.8% of Serb respondents have expressed themselves in favor of Kosovo as an autonomous province within Serbia;
- h) According to available statistics, during 2004 only 16% of crimes have reached the final stage of their proceedings, i.e. judicial proceedings, whilst only 6.3% have reached a final verdict. The number of murders is increasing; during the period January - December 2004, in the Pristina region alone there were 19 more murders than in the entire territory of Kosovo during 2003.
- i) The violent March unrest took place in a time of great dissatisfaction with economic and political developments in Kosovo. Such circumstances are favorable for stirring up protests that can then turn into violent unrest. In this respect the related circumstances have not changed substantially compared with those of March 2004. Currently about 68% of respondents are "dissatisfied" or "very dissatisfied" with economic developments, whilst about 39% of them feel the same with political developments.
- j) Albanian and Serb extremists could be interested in causing unrest in Kosovo.
- k) According to the opinion poll conducted in November 2004, about 85% of Albanian respondents have expressed their readiness to protest in case of the potential indictment of the actual Prime Minister of Kosovo, Mr. Ramush Haradinaj, by the Hague Tribunal. This would also endanger the entire process of the implementation of Standards in due time.



## *Standards for Kosovo*

### *- achievements and challenges*

#### **Redefinition of Standards and narrowing down of priorities**

3. The policy of “standards before status”, that was launched by the former SRSG Michael Steiner between the spring of 2002 and the end of 2003, was considered to be more of a conditional political slogan for ‘buying time’ by international actors than as a way to pursue a more realistic policy for solving the future political status of Kosovo. This particularly seems to have been the case when considering the lack of a given time frame for the purpose<sup>1</sup>. The international bodies at the time did not have a clear vision about the model for solving the final status of Kosovo, but they had assessed at the time that an inappropriate time frame for defining the final status of Kosovo could turn out to be a ticking bomb. It was preferred that solving the status issue be postponed as much as possible, hoping that in the meantime the political circumstances in Kosovo, as well as the attitude and willingness of the relevant political actors, would change supposedly for the better<sup>2</sup>.

The pragmatic strategy of waiting for more favorable circumstances has been opposed many times, being considered a factor that will have as a consequence not only stagnation but also disappointing and destabilizing reactions<sup>3</sup>. In Kosovo, as well as abroad, there has been pressure for accelerating the processes, if nothing more than to define in a clearer way the content and agenda of the conditional standards. The March crisis, which was the greatest threat and challenge for order and security after the 1999 conflict, imposed the necessity of reformulating the strategy of ‘standards before status’ into a much more operative and efficient strategy – the strategy of “Standards for Kosovo”.<sup>4</sup>

4. More closely defined dynamics of implementation of the standards and of the beginning of the negotiations for the status of Kosovo came about only at the end of March 2004, when the “Plan for the Implementation of Standards for Kosovo”<sup>5</sup> was published. The third paragraph of the introduction of this plan asserted: “The

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<sup>1</sup> The conditioning character of the standards has also been clearly asserted by the current deputy SRSG Lawrence Rossin in an interview given to the daily *Koha Ditore*: “The standards have a more senior objective, but because of the manner in which the international community has structured the way ahead related to Kosovo, in fact they are one form of conditioning”, *Koha Ditore*, December 31, 2004.

<sup>2</sup> A similar strategy has been also applied in the tense relations between Serbia and Montenegro. Namely in Montenegro the pro-independence movement has strengthened, but Belgrade kept opposing the secession of this republic. The EU has mediated this conflict with a project for the creation of the UNION of Serbia and Montenegro, with a duration time of three years.

<sup>3</sup> See for example the attitude of Friedhelm Frischelschalger, former Minister of Defense of Austria and former head of the OSCE Office for Democratization in Kosovo: “The policy of ‘standards before status’ has only polarized further the attitudes of Albanians and Serbs”, *Koha Ditore*, December 11, 2004.

<sup>4</sup> The UNMIK document “Standards for Kosovo” was published on December 10, 2003 and was approved by the UN Security Council on December 12, 2003.

<sup>5</sup> *Zëri*, March 31, 2004.

progress made in the implementation of this objective (fulfillment of Standards) will serve as basis for any reconsideration that will take place by mid-2005 regarding the beginning of talks on the final status of Kosovo”.

The volume of the predicted Standards (eight Standards for specific domains, 115 objectives and 478 tasks) was such that they could hardly be fulfilled within the given time frame – by June 2004. This fact, as well as the necessity of finally addressing the issue of the status of Kosovo, has focused the determination of priorities related to the implementation of Standards. At the beginning of his mission in Kosovo, the SRSG Søren Jessen-Petersen suggested a form of ranking of Standards. In a letter sent to the heads of the four pillars of the UNMIK administration he emphasized that all the Standards are and remain important, but the international community is interested to see progress especially in areas such as security, law and order, decentralization, freedom of movement, return of the displaced, and functional institutions<sup>6</sup>. As time passed and the anticipated times for the implementation of Standards drew closer<sup>7</sup>, a tendency for the reduction of the priorities was noted: “Priorities are the security of Serbs, economic development, the return of the displaced to their homes and the transfer of more authorizations to the provisional Kosovo institutions”<sup>8</sup>. There are also opinions that are inclined towards a full reductionism related to priorities, as that expressed by Daniel Serwer: “The only standard that exist between Kosovo and its final status is the treatment of Serbs and members of other minorities”<sup>9</sup>.

### Status and Standards

5. The issue of the final status of Kosovo used to be almost a taboo until late 2004. “Let us talk how to implement Standards” was a refrain to justify the non-addressing of this issue. As there were substantial differences and disagreements amongst members of the international community regarding status, dealing with it was perceived as a serious obstacle to the solving of concrete problems and of reducing tensions in everyday life.

In the meantime an opinion began to prevail that without addressing the status issue the implementation of Standards could not be genuinely achieved. In order to avoid manipulation and misdirection of expectations, people need at least a rough vision regarding the direction in which a favorable solution of the status of Kosovo should be sought. In the absence of such a vision, a de-stimulating and demobilizing environment and circumstances could be created, which could be abused by various extremist forces. In order to avoid this, some world leaders have started pronouncing clearer ideas and visions relating to the possible final status of Kosovo. Thus, in September 2004 the Foreign Minister of Germany, Joschka Fischer, stated that he saw the status of Kosovo as a solution between two negations “Neither return under Serbia, nor independence for Kosovo”<sup>10</sup>.

Such suggestions had been made earlier by various international agencies and independent forums such as Independent International Commission for Kosovo and International Crisis Group. More recently such ideas seem to enjoy the implicit,

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<sup>6</sup> Zëri, September 16, 2004.

<sup>7</sup> The technical assessment of the implementation of standards is undertaken by UNMIK, while the political assessment is by the UN Security Council.

<sup>8</sup> Koha Ditore, December 1, 2004.

<sup>9</sup> Zëri, September 11, 2004; Daniel Serwer is the director of the Balkan Initiative of the American Institute for Peace.

<sup>10</sup> Koha Ditore, September 15, 2004.

or even explicit, support of various state officials or international forums included in the decision-making process related to the status of Kosovo.<sup>11</sup>

The main idea being mentioned in this discourse sounds somewhat paradoxical, as various forms of *conditional independence*<sup>12</sup> are being spoken about. However, even when senior international officials do not assume a clear formula or model for the status<sup>13</sup>, they seem to be insistent on setting more concrete and realistic time frames for beginning the resolution of the final status question. Thus the US Secretary of State Colin Powell stated resolutely in the last NATO Summit in Brussels: “The year 2005 in Kosovo will be a decisive year”<sup>14</sup>.

6. The most responsible Kosovo institutions have also expressed that the implementation of Standards is strongly linked to the status of Kosovo: “We think that the status and the Standards should be seen in a complementary interaction and that conditioning or politicizing them could turn out to be counterproductive”.<sup>15</sup> However, UNMIK, besides some stimulating attitudes, do not hesitate to also emphasize the conditional and threatening element in the demands for the implementation of Standards: “A negative assessment of Standards will bring about a negative response for the status process”, said the deputy SRSG Lawrence Rossin.<sup>16</sup>

### Obstructions and challenges

7. Serbia and some Kosovo Serbs do not look favorably upon the very idea of accelerating the processes for the solution of the status of Kosovo. Serbs demand the reaching of a prior agreement for the decentralization of Kosovo, with solution patterns that would favor territorial decentralization according to ethnic composition. Relatedly, the Kosovo Serbs overwhelmingly boycotted the Kosovo Assembly elections of October 2004 and continue to boycott Kosovo Assembly.

The sweeping Serb boycott and their insistence that every issue be conditional could potentially lead to the blocking of the implementation of Standards and the solving of the status issue within planned time frames. However, international agencies maintain that they are aware of these obstacles and that “the way the Standards are prioritized will not burden the Kosovo Provisional Institutions of Self-Government (PISG) with responsibilities that they cannot implement. If there is no participation of Serbs and their boycott of institutions continues, *then this will clearly be taken into account*”<sup>17</sup>. Regardless of this fact, it is realistic to expect that the obstruction to the implementation of Standards by Kosovo Serbs could negatively

<sup>11</sup> Referring to the Serbian newspaper ‘*Vecernje Novosti*’, the daily ‘*Koha Ditore*’ has declared that the Center for International Politics in Geneva has published the plan of eight options for the final status of Kosovo. Two of those, immediate independence and that of the return of Kosovo to Serbian sovereignty, have been dismissed as unrealistic; *Koha Ditore*, December 12, 2004.

<sup>12</sup> This concept comprises a kind of monitored independence for a given period of time, in order to ensure the protection of minorities and to implement the rule of law; for more details see the ICG’s report published in January 2005 and discussions during the session of the Commission for Foreign Affairs of the European Parliament, held on January 25, 2005.

<sup>13</sup> Whereas former officials and diplomats of the US and other influential countries (Madleine Albright, Richard Holbrooke, etc.) speak almost openly about the only solution being the full or conditional independence of Kosovo, incumbent actual leaders and diplomats that are in important official posts are more cautious and reserved, as is the case with the quoted statement of Joschka Fischer.

<sup>14</sup> *Koha Ditore*, December 10, 2004.

<sup>15</sup> The report of the Kosovo Prime Minister, Ramush Haradinaj, to the Kosovo Parliament, *Koha Ditore*, January 4, 2005.

<sup>16</sup> *Koha Ditore*, January 4, 2005.

<sup>17</sup> Interview with the head of the US Office in Pristina Philip Goldberg; *Koha Ditore*, December 31, 2004.

affect inter-ethnic relations, as Albanians would perceive it as an obstruction towards the solving of the final status of Kosovo.

8. The implementation of Standards is proceeding under considerable time pressure, as it is predicted that, depending upon the level of their implementation, negotiations about the final status of Kosovo should start within a short time period – probably around the middle of 2005. In Kosovo the opinion prevails, having been expressed many times - especially during the electoral campaign for the October 2004 elections - that even countries with a highly developed democracy have not yet managed to achieve such Standards<sup>18</sup> the implementation of which are now being demanded in Kosovo within a very short time period and in very unfavorable circumstances, as the population is permanently burdened with the fate of missing persons and the grave consequences of the war.

Although the timeframe for the implementation of Standards has been known since March 2004, from contacts with the PISG<sup>19</sup> an impression has grown that procrastination and indecisiveness over the timely implementation of Standards have been affected by:

- Considerable relativism in the interpretation of the importance of Standards by some political actors prior to the elections, as well as insufficient activities of political parties toward the creation of a more favorable and constructive climate for the implementation of Standards;
- The generalized description of Standards in the first phase, as well as the considerable delay in putting them into operation, in the breaking down of objectives into tasks, and of tasks into activities within a concrete and observable action plan;
- Limited managerial capacities within the PISG and in municipalities too;
- Inadequate planning of activities and the absence of an efficient system for monitoring and reporting the progress achieved;
- Insufficient cooperation and coordination of the international element with the domestic one in relation to those Standards that relate to the reserved powers of UNMIK.

The almost exclusive engagement of political bodies with the October 2004 elections and the consequent neglect of the issue of Standards have also contributed to the above-mentioned delays.

9. Many tasks that emanate from the Standards are related to the duties and efficiency of local government. In this regard considerable progress has been made in some fields, while in some others, especially in that of returns, there are still considerable deficiencies. All municipalities have successfully implemented the Standards related to elections<sup>20</sup>. It is also clear that good results have been achieved in establishing local offices for communities, in the formation of committees for communities and for mediation, as well as in establishing local municipal offices for complaints, and that offices for gender issues and equal opportunities exist in all municipalities. In some municipalities (Kamenica, Gjiilan/ Gnjilan, Lypjan/ Liplan,

<sup>18</sup> The implementation of these standards was not necessarily demanded for the diplomatic recognition of Slovenia, Croatia, Serbia and Montenegro or Macedonia.

<sup>19</sup> During the second half of 2004 the Riinvest Institute, supported by the DFID and in cooperation with the PAI, has worked on project of calculating the additional budgetary cost related to the implementation of standards and has offered assistance to the PISG in elaborating and breaking down the objectives and duties of the standards in activities and sub activities, as well as in their monitoring and implementation.

<sup>20</sup> The report on the implementation of standards by the Ministry of Local Government, discussed with heads of local governments on January 14, 2005.

Shtërpce/ Strpce, and Novobrdë) freedom of movement is real and there is no need for minorities to be escorted in religious or cultural ceremonies, whilst in some other municipalities transport for participation in these ceremonies continues to be organized.

The deficiencies evidenced in the level of local government regarding Standards are:

- lack of sufficient human and technical resources for the translation of personal documents according to the demands of various parties, depending on their ethnic affiliation;
- the majority of municipalities have not yet drafted anti-corruption strategies;
- the majority of municipalities have not yet drafted medium-term programs for sustainable returns and for the protection of rights of ethnic communities;
- there is a lack of additional budgetary means for the implementation of these programs, as well as the lack of a monitoring and reporting system related to the implementation of Standards.

**10.** The implementation of Standards for Kosovo demands additional budgetary and other resources as well as a high level of coordination of activities for securing and deploying these resources. Delays in securing these preconditions could negatively affect the dynamics and quality of the implementation of Standards. The need for additional resources is greater in the domain of sustainable returns and of human rights. However, the increase of budgetary expenditure for this purpose comes into collision with the position of the International Monetary Fund<sup>21</sup>, which in its December 2004 report demands a reconsideration of expenditure in the Kosovo Consolidated Budget. According to the IMF, expenditures are too high and could lead Kosovo towards a substantial budget deficit and financial crisis.

**11.** In the opinion of authors of this report, the new government of Kosovo has been showing a high degree of determination and a very operational attitude concerning the implementation of Standards. A higher degree of quality has been achieved in the cooperation and coordination of duties and activities related to the assessment and specification of Standards within different ministries and the coordination of duties and responsibilities of ministries and the municipalities vis-à-vis the Government. Consequently, there is a real likelihood that many difficulties and deficiencies, which the implementation process of Standards encountered in the previous year, will be overcome. The SRSG Søren Jesen-Petersen and Prime Minister Ramush Haradinaj are making an important contribution to the actual dynamics of the process of the implementation of Standards.

Maintaining continuity of the work on the fulfillment of Standards is essential for the success of this process. It is to be expected that any interruption of the actual implementation, even caused by the potential indictment of Mr. Haradinaj by the Hague Tribunal, would endanger the entire process of the implementation of Standards in due time.

### **Opinions of respondents as related to Standards**

**12.** The opinion poll for this Report, carried out in November 2004, also included the opinions of respondents concerning some issues related to Standards. Some of these opinions are given below:

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<sup>21</sup> International Monetary Fund: Aide Memoire of the IMF Staff Mission to Kosovo, December 8-18, 2004.

- More than 40% of Albanian and Serb respondents consider that the rule of law represents the most important standard, whilst respondents of non-Serb minorities consider economic issues to be the most important standard – see Table 1.1. Economic issues also represent an important standard for Albanian respondents, whilst for Serbs and non-Serb minorities freedom of movement and sustainable return as well as minority rights are also of great importance.

**Table 1.1. Opinions on the importance of "Standards for Kosovo" (%)**

	Albanians	Serbs	Others
Functioning of democratic institutions	15.2	2.2	8.3
Rule of law	43.4	42.5	19.3
Freedom of movement	6.6	34.1	17.4
Sustainable return and minority rights	1.9	19.6	20.2
Economy	19.7	0.0	32.1
Ownership rights	0.8	1.1	0.0
Dialogue	2.3	0.6	0.9
Kosovo Protection Corps	10.1	0.0	1.8
Total	100.0	100.0	100.0

*Source: Opinion poll – November 2004*

- Although the dialogue between Pristina and Belgrade is not ranked amongst the most important Standards, it should be emphasized that Albanian respondents consider it more important than Serb respondents (see Table A1.1 in the Annex).
- Considerable differences amongst Albanian and Serb respondents have been pronounced regarding the issue of who is to be considered responsible for the fulfillment of "Standards for Kosovo"; whilst Albanian respondents see this responsibility as almost equally distributed amongst UNMIK, the Government of Kosovo and the citizens of Kosovo themselves, Serb respondents see this as the responsibility of UNMIK (75.4%) – see Table A1.2 in the Annex. This result may be explained by the fact that most of the functions associated with Serb top-related priorities – rule of law, freedom of movement, sustainable returns and minority rights - are still reserved powers of the SRSG.
- Considerable differences amongst Albanian and Serb respondents are shown about the institutions responsible for the evaluation of the progress achieved in the implementation of Standards – see Table A1.3 in the Annex. For Serb respondents UNMIK is considered almost exclusively responsible (89.1%), whilst Albanian respondents consider UNMIK responsible (47.4%), but also the UN Security Council (26.5%) and the Government of Kosovo (20.3%). Rather surprising is the fact that the UN Security Council is considered less responsible for evaluating the implementation of Standards than UNMIK, which can lead to the conclusion that the population is not appropriately informed that the Security Council is the competent authority for the political evaluation of the progress towards implementation of Standards.
- There are great differences of opinions amongst Albanian and Serb respondents on what could happen if the Standards are not fulfilled by mid-

2005. The majority of Serb respondents (85%) consider that negotiations for the final status of Kosovo would not be started, while the majority of Albanian respondents (71.5%) expressed the opinion that negotiations would be started nevertheless (see Table 1.2). The relevant Albanian bodies should give greater consideration to the opinions of Albanian respondents and be active in raising the awareness of the Albanian population that the implementation of Standards represents a doubled advantage for Kosovo – both for the solution of the status issue of Kosovo as well as a matter of improved governance for citizens of Kosovo.

**Table 1.2. Opinions on what would happen if "Standards for Kosovo" are not fulfilled by the middle of 2005 (%)**

	Albanians	Serbs	Others
Talks about the final status will not start	28.5	85.0	30.6
Even so, talks about the final status will start	71.5	15.0	69.4
Total	100.0	100.0	100.0

*Source: Opinion poll –November 2004*





## *Political and Institutional Stability*

### **Elections of October 2004 and the new governing coalition**

**13.** The political landscape of the period September-December 2004 was overwhelmed almost completely by the electoral process for the Kosovo Assembly held on October 23, 2004. These were the second elections after the conflict of 1999. Another important event was the formation of the government and the approval of the government program.

The main features of the October elections were as follows:

- According to the evaluation of the OSCE and Council of Europe monitors, and also domestic monitors, the elections were free and fair;
- The percentage of the voting turn out was lower (53.6%) than in previous central elections (64%);
- Only 0.3% of the Kosovo Serb voters turned out in the elections, as result of the opposing appeals of the President of Serbia, Boris Tadic for participation, on the one side and Prime Minister Vojislav Kostunica for boycott of elections on the other side;
- There was no significant or relevant change in the percentages of the votes won by the three largest parties in comparison to previous elections: the LDK has a small decrease, whilst the PDK and the AAK a small increase in the percentages of the votes won<sup>22</sup>; although it participated in the elections for the first time, the civic list "ORA" won 6.2% of the votes, thus becoming the fourth strongest political force in Kosovo.

The almost symbolic participation of the Kosovo Serb community in the election has not passed without consequences for the formation of genuine self-governing institutions. Namely, the participation of their representatives in the Kosovo government and Assembly is being achieved only with considerable difficulty<sup>23</sup>.

**14.** Since no political party managed to secure the parliamentary majority necessary for the formation of the Government by itself, after negotiations with various parties, the LDK managed to reach an agreement for forming a coalition government with the AAK and a few other smaller parties. This was achieved under the condition that the post of Prime Minister be granted to the AAK, despite being the junior coalition partner, while the post of the President of Kosovo and President of the Assembly be granted to the LDK. Thus, as opposed to the former broader government coalition made up of the three largest parties of the time (LDK, PDK, AAK), the new coalition government is lead by two parties (LDK and AAK); the second largest party, the PDK, remained in opposition, where it is

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<sup>22</sup> It should be emphasized that, in essence, all these three parties would have recorded a decrease if the Kosovo Serbs had taken part in the voting in the percentages they did in previous elections.

<sup>23</sup> A month after the formation of the government of Kosovo the representative of the Kosovo Serb community Mr. Slavisa Petkovic accepted the post of Minister for Returns and Minorities. He was elected by the Assembly of Kosovo on January 26, 2005. Other Kosovo Serb leaders atrongly opposed his election. The election for the other ministerial post reserved for the Kosovo Serb community, namely that of Agriculture and Rural Development, has not yet taken place.

expected that jointly with the civic initiative “ORA” it will play an important opposition role and from that perspective influence future political developments<sup>24</sup>.

15. Opposition parties have not accepted the formation of the coalition government lead by the LDK and the AAK with any enthusiasm. The strongest criticism came from the ranks of the PDK, which has accused the AAK that, by cooperating with the LDK, it is deviating from the ideals of the liberation war of the former KLA, although it was itself in coalition with the LDK in the previous government. Initially, the PDK also objected to the set up as well as the capacity of the new Government.<sup>25</sup>

The formation of the current government coalition with Mr. Ramush Haradinaj in the post of Prime Minister was initially accompanied with hesitation and opposition both in diplomatic circles as well as in Kosovo opposition circles, due to the possibility of Mr. Haradinaj being indicted by the Hague Tribunal. Nevertheless, the selection of Mr. Haradinaj for the post of Prime Minister and the formation of the new governing coalition were supported by the SRSG, Mr. Søren Jessen-Petersen, according to whom the election process was a legitimate one. “This is democracy in action” he was quoted as saying, adding “it is my opinion that everyone should congratulate Mr. Haradinaj to lead a strong and active government. Speculation of the type ‘what if?’ does not help the primary interest of Kosovo to move forward”.<sup>26</sup>

### **Strengthening of self-governing institutions and joint responsibility**

16. Following the unrest of March 2004, there has been a critical review of the work, organization and responsibilities in the administration of Kosovo, with the aim of strengthening domestic self-governing institutions and achieving a satisfactory level of cooperation and co-responsibility of all relevant actors in Kosovo. With the arrival of the SRSG Mr. Søren Jessen-Petersen, there has been a considerable relaxation of the relations between UNMIK and the PISG, by his proclaiming at the same time the intended accelerated transfer of “all those authorizations that are not sovereignty-linked”, but also by demanding a greater accountability and responsibility.<sup>27</sup>

17. The new government of Kosovo, elected at the beginning of December 2004, has a much more dynamic and energetic attitude to the functioning of democratic institutions, the transfer of power to domestic institutions and cooperation with UNMIK. The Prime Minister Ramush Haradinaj has announced “the beginning of the battle for the implementation of Standards” by stating optimistically: “We have passed into an entirely new period in Kosovo. Differences as to who holds responsibility no longer exist ... There are some duties for which domestic institutions are responsible, whilst when there are duties belonging to Standards that have to do with reserved powers, then the job is done jointly with UNMIK”<sup>28</sup>. The minister for Energy, Mr. Ethem Çeku, also expressed himself in this spirit, energy being a very sensitive sector where there were significant failures in the past and where now the respective authorizations have been transferred to the Kosovo

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<sup>24</sup> Overall the formation of government took much less time than after the first Assembly elections and with this regard it is a positive development for Kosovo democracy.

<sup>25</sup> In the first public reaction, the head of the Democratic Party of Kosovo, Hashim Thaçi, has called the new government incapable and a creation of a ‘provincial political mentality’; *Koha Ditore*, December 1, 2004.

<sup>26</sup> *Koha Ditore*, December 4, 2004.

<sup>27</sup> *Koha Ditore*, December 4 and 14, 2004.

<sup>28</sup> *Koha Ditore*, December 21, 2004.

institutions, by declaring: "I have come to extend my hand of cooperation, so that we would not have dualism any longer".<sup>29</sup>

18. The preliminary evaluations of the work of the new Government during the first month of its activity are more than positive.<sup>30</sup> In comparison with the previous government, the current coalition government has several advantages in securing a more responsible, more coordinated and more inter-ministerial cohesion. Nevertheless, the current positive processes of the work of the government, transfer of competencies and cooperation are unfolding under the shadow of some warnings:

- From the first days of its formation the coalition government is faced with the pressure of the possibility that Prime Minister Ramush Haradinaj could be indicted by the Hague Tribunal for war crimes in former Yugoslavia;<sup>31</sup>
- Although this possibility has led to a temporarily less confrontational approach by the opposition, there are some warning indications that the opposition, especially the PDK<sup>32</sup>, could generate ambitions for a re-entry into the Government in certain phases, on which occasions the situation could be complicated.

### Relations with Serbia

19. Following the violent events of March 2004, Serbia's official politics toward Kosovo have become more conditional and non-cooperative. Such circumstances make positive developments difficult, despite their importance for the stabilization of the political situation in Kosovo and in the region. As a consequence, the issue of a dialogue between Pristina and Belgrade as well as decentralization of the government has stagnated.

20. Soon after its formation, the Government of Kosovo expressed its readiness to begin an unconditioned dialogue with Belgrade. Prime Minister Haradinaj, in an interview given to the Belgrade-based agency 'Beta', said: "I am ready to go to Belgrade every moment, even tomorrow, to start the dialogue with Belgrade... I will go to Belgrade any time they invite me and I am ready to talk to anyone who comes from Belgrade"<sup>33</sup>. However on Serbia's side, even by Serb politicians who are considered liberal and more cooperative, Prime Minister Haradinaj is being categorically refused as an interlocutor. The President of Serbia, Boris Tadic, after the election of Haradinaj as Prime Minister, declared him as unacceptable and that "there could be no cooperation with him", although he made this categorical refusal

<sup>29</sup> Koha Ditore, December 12, 2004.

<sup>30</sup> Lawrence Rossin: "Haradinaj has surprised us positively", *Koha Ditore*, January 5, 2005. The Head of the US Office in Pristina, Mr. Goldberg, has also expressed himself on the matter positively: "As for Mr. Haradinaj, I think he has started his job in a very energetic manner and that he is absolutely consumed by efforts for achieving progress on standards", *Koha Ditore*, December 31, 2004.

<sup>31</sup> During November 2004 Haradinaj has been summoned twice by the investigative offices of the Hague Tribunal in Pristina for informative talks, but until the end of the year the Tribunal has not announced an indictment, although there has been much speculation in the media related to the matter, especially those in Serbia and Montenegro, but also in Kosovo.

<sup>32</sup> From the meeting Thaçi-Haradinaj on January 24, 2005: "Thaçi suggested that Haradinaj not move too hastily with decentralization", *Zëri*, January 25, 2005.

<sup>33</sup> *Koha Ditore*, December 7, 2004. This decisiveness for a dialogue was repeated later in the interview given to the daily newspaper 'Koha Ditore': "We consider the continuation of the technical dialogue, but also the beginning of political contacts with Belgrade, as useful. We have an agenda that is being developed in Kosovo about the standards and we have our timeframes. We are also interested to establish political contacts with all neighboring countries. Our position is that political contacts with Belgrade are useful and we are ready"; *Koha Ditore*, December 22, 2004.

more relative by asserting “Serbia may not refuse participation in a dialogue with provisional Kosovo institutions.”<sup>34</sup>

21. Kosovo institutions, in cooperation with the Council of Europe and UNMIK, have approved in principle the project for the decentralization of Kosovo. This was done in order to secure specific political, cultural and economic rights for the Serb community, as well as for other minority communities living in Kosovo. However, conceptual differences between Belgrade and Kosovo Serbs on one side, and the PISG and the international community on the other regarding decentralization still remain very pronounced and unchanged. The platform of Serbia’s Parliament anticipates a territorial separation based on ethnic criteria, whilst the projects of the Council of Europe and of the Government of Kosovo have European criteria on decentralization of government as a basis<sup>35</sup>. The SRSG has asserted on several occasions that the basis for decentralization cannot be the Serbian plan based on ethnic criteria, but the plan drafted in Pristina in cooperation with UNMIK and the Government of Kosovo, including participation of Kosovo Serbs and the presence of their consultants from Serbia<sup>36</sup>. The minister of Local Governance, Mr. Lutfi Haziri, has also been resolute: “We will not allow the ethnic criteria to be applied in the decentralization process”<sup>37</sup>. According to Prime Minister Haradinaj, the plan of the Serbian government for Kosovo is not real and such a plan “Serbia would not apply even in its territory”.<sup>38</sup>

22. The current state of relations between Kosovo and Serbia also illustrates the extraordinarily strong politicization of the disconnection of the electric power supply to some Serbian villages at the beginning of January of 2005. The disconnections were due to the collective unpaid energy bills. Although the disconnection of the electric power supply was carried through for all villages that had not paid their electricity bills, irrespective of their ethnic make-up, this issue has been politicized so strongly by Belgrade that during the official visit of the SRSG to Belgrade Serbian officials were not prepared to talk about anything else, including the issue of missing persons during the 1999 conflict. Belgrade made talks conditioned upon the re-connection of the electric power supply to Serb villages.

### The opinion of respondents

23. The opinions on various issues pertaining to political and institutional stability have not changed markedly; the only exception is the significant increase in positive perception of the performance of the SRSG and to some extent of UNMIK. The main features of these opinions have been given as follows:

- During the period November 2003 – November 2004, the dissatisfaction of Albanian respondents with the political situation has generally decreased, while among Serbs this dissatisfaction has generally increased - see Table 2.1. The increase in dissatisfaction by Serb respondents should be placed in correlation with the violent unrest of March 2004 and with problems related to their participation in the elections, whilst the calm pre-electoral

<sup>34</sup> *Koha Ditore*, December 11, 2004.

<sup>35</sup> Former Prime Minister Bajram Rexhepi stated in September: “A document of merit for us is only one from Pristina. The other one, not because it comes from Belgrade, has in itself pure territorial aspirations, i.e. objectives for the partitioning of Kosovo, and as such is a fully political document”, *Zëri*, September 11, 2004.

<sup>36</sup> Headline news in *Koha Ditore* emphasizes: ‘The Pristina Plan is the only one, the Belgrade Plan is no option’, *Koha Ditore*, September 10, 2004.

<sup>37</sup> *Java*, December 23, 2004.

<sup>38</sup> In interview with Serb agency *Beta*, as quoted by *Koha Ditore*, December 7, 2004.

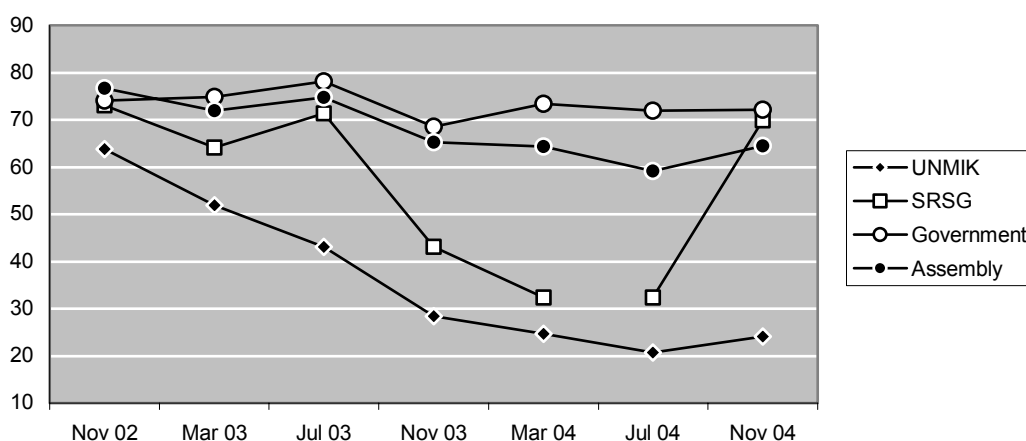
campaign and the trouble-free unfolding of the election and the following building up of democratic institutions should have affected the opinions of Albanian respondents positively.

**Table 2.1. The percentage of respondents “unsatisfied” or “very unsatisfied” with the current political situation in Kosovo (valid %)**

	Mar 2003	Jul 2003	Nov 2003	Mar 2004	Jul 2004	Nov 2004
Albanians	38.5	34.7	45.4	42.7	44.0	35.1
Serbs	87.0	83.1	93.2	94.2	99.5	98.0
Others	43.0	29.4	38.9	34.7	31.1	33.0
Total (weighted %)	41.7	37.3	47.9	45.4	46.6	38.7

Source: Opinion polls – March 2003 to November 2004.

- ➔ Albanian respondents and members of the non-Serb minorities see the responsibility for the actual political situation resting primarily with UNMIK (63.4% Albanians, 60.2% others) but also with the PISG (19.2% Albanians and 21.3% others), rather than with political parties (15.5% Albanians and 1.75% others), while Serb respondents see the responsibility resting almost exclusively with UNMIK (93.8%) – see Table A.2.1 in the Annex.
- ➔ Satisfaction with the work of the various relevant institutions acting in Kosovo has shown an increase in November of 2004 in comparison with July 2004 – see Fig. 2.1 and Table A.2.2 in the Annex. For the first time, after a long period of time, an increase in the satisfaction with the work of the SRSG and UNMIK, as well as with other international institutions in general, has been recorded. This increase coincides with the arrival of the new SRSG Søren Jessen-Petersen as the international administrator of Kosovo, and his dynamic approach to key problems and more intensive cooperation with the PISG.



**Fig. 2.1. Satisfaction of respondents with the performance of various institutions – “satisfied” or “very satisfied” respondents (%)**

- ➔ Opinions of respondents regarding the major problems that face Kosovo have remained practically unchanged in comparison to previous opinion polls. Amongst 18 offered options – see Table A.2.3 in the Annex - three

of the greatest problems ranked by respondents of different ethnic affiliation are as follows:

- Albanians: uncertainty regarding the final status of Kosovo (33.8%), unemployment (33.6%) and poverty (14.3%);
- Serbs: unemployment (36.0%), public and personal security (28.6%), and inter-ethnic-relations (7.4%);
- Others: unemployment (53.5%); uncertainty regarding the final status of Kosovo (15.5%) and poverty (16.3%).

As before, uncertainty regarding the final status of Kosovo, unemployment and poverty dominate amongst Albanian respondents and members of non-Serb minorities, whereas unemployment and security, both public and personal, continue to remain the most concerning preoccupations of Serb respondents.

- ➔ Albanian and Serb respondents continue to have entirely opposite views considering the future status of Kosovo. Similarly with previous opinion polls, about 91% of Albanians are in favor of the independence of Kosovo within the current administrative borders, while 8.7% are in favor of unification with Albania (see Table A2.4 in the Annex). On the other side, 92.8% of Serb respondents have expressed themselves in favor of Kosovo as an autonomous province within Serbia, while 6.2% are in favor of the partitioning of Kosovo.
- ➔ Respondents are considerably dissatisfied with the work of local i.e. municipal administrative services – see Table A2.5 in the Annex. 39.4% of Albanians, 63.4% of Serbs, and 27.7% of others are “Dissatisfied” or “very dissatisfied” with these services. Amongst reasons for this dissatisfaction, 49.3% of Albanians have identified inexpedient services, 50.4% of Serbs complicated procedures, while 60% of others also inexpedient services (Table A.2.6 in the Annex).

## *Economic and Social Stability*

### **General Situation**

24. The economic situation in the last quarter of this year has not shown any significant changes in comparison with the period May – August 2004. The characteristics of some trends continuing from previous periods are:

- Inflation at 1.7% (until the end of October);
- Large trade deficit, despite the export increase by 27% and import decrease by 5% during the period January-September;
- Continuation of increase of bank deposits by 25.7% as well as of loans by 77.9% (October 2003 to October 2004);
- Steady increase of registered number of unemployed;
- Low level of payment of electricity bills by consumers, as well as low level of production of electrical energy;
- Slow dynamics of the privatization process;
- High levels of dissatisfaction of respondents with economic trends and high levels of perception of corruption in various institutions and organizations.

During the period September-December 2004 the following budgetary problems, which have not been present before, have emerged:

- Budget deficit by the end of the year, and
- Budget difficulties related to the implementation of Collective Bargaining Agreement.

#### **Box 3.1. Responsibilities in the economic sector that will be transferred in 2005**

- Taxation policy (adoption of new legislation);
- Transfer of management of forestry from the KTA to the Kosovo Forestry Agency;
- Changing of the Economic and Fiscal Council by the Prime Minister and transfer of the Secretariat to the Office of the Prime Minister;
- Management of transport issues;
- Transfer of the Office for Frequency Management to the Agency for Regulation of Telecommunications;
- Establishment of the Agency for Mining and Minerals;
- Strengthening, professionalization and self-standing status of Bank Payment Authority of Kosovo;
- More active involvement of the PISG in determining members of the board of public enterprises;
- Establishment of Kosovan profile in executive boards of independent regulatory agencies.

The following factors could play an important role in view of future economic developments:

- Implementation of the Government program with clear development objectives and priorities and an active attitude towards curbing the economic and social crisis;
- The commitment of the SRSG for the transfer of responsibilities in the area of economy to Kosovo institutions - see Box 3.1, that will strengthen the role and the responsibility of the Government in this area.

### The GDP trend and the budget deficit

25. The IMF report of November 2004 produced new assessments and projections of some macroeconomic indicators that differ from previous ones. The IMF report assesses that the nominal GDP growth rate in 2004 amounted to 5% and it is anticipated that in 2005 it will maintain the same rate, whilst the per capita GDP is anticipated to amount to about 1,000 euros<sup>39</sup> (see Table 3.1). This economic growth will not be sufficient to overcome the low rate of current economic development, unemployment and poverty. Thus, it is expected that the year 2005 will see not only the transfer but also an increase of the current crisis as well as of economic and social instability<sup>40</sup>.

**Table 3.1. Some relevant macroeconomic indicators (in million €)**

	2001	2002	2003	2004*	2005*
GDP	1,625	1,735	1,797	1,895	1,999
GDP per capita	870	913	930	964	1,000
Remittances	217	241	241	244	244
Assistance from abroad	1,144	902	732	624	518

Source: IMF Report, November 2004

\* - IMF assessment

26. Besides the evaluation of the progress achieved, the IMF report also emphasized the existence of sources of instability, especially as related to the uncontrolled increase in budget spending and the possible overstepping into a budget deficit as a result of high expenditure in the public sector<sup>41</sup>. According to the IMF's recommendation, the budget deficit of Kosovo should not exceed 80 million Euros, or about 4% of Kosovo GDP. However, if the current trend of budget expenditure continues, by the end of 2005 the budget deficit will be double of the present one, i.e. it will stand at about 8% of GDP. These warnings raise the necessity of reconsidering budget priorities and the reduction of budget for goods and services. The reduction of resources for wages implies the necessity of undertaking the following alternative measures: i) reduction of the number of employees in government agencies, which is considered to be too high; or ii) reduction of wages for employees. Both these measures could negatively affect the general situation, considering the very high unemployment rate, the unfavorable social situation of the population and low wage rates.

27. Serious problems have emerged at the beginning of 2005 relating to the implementation of the Collective Bargaining Agreement signed by the Government

<sup>39</sup> As in previous assessments and projections, these ones also should be taken with precaution, considering the absence of a genuine statistical system in Kosovo.

<sup>40</sup> Dissatisfaction of respondents with the trends of economic development is still very high – see Table A3.1 in Annex.

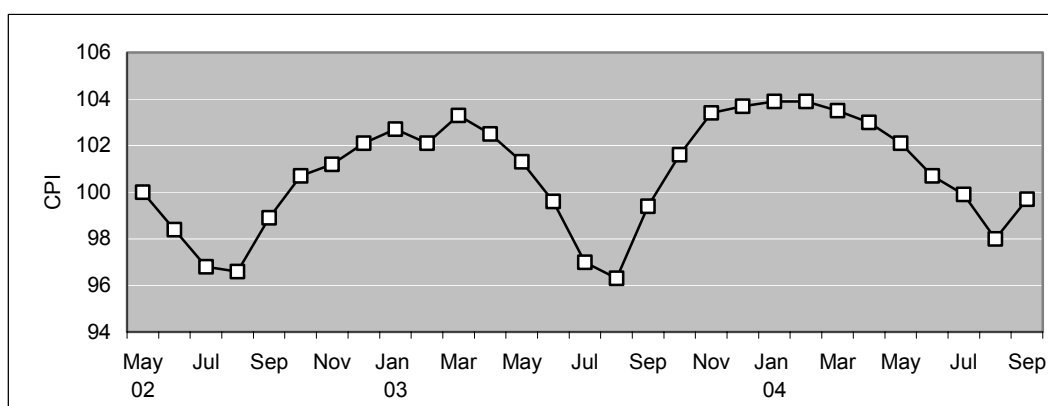
<sup>41</sup> The IMF report of December 2004 warns of such a possibility.



and Trade Unions. It is estimated that the implementation of this contract would burden the Kosovo budget with about 60 million Euros. These resources have not been predicted in the Kosovo Consolidated Budget. In such a situation the Government insists that a solution be found for the prolongation of the implementation of the contract, or for its partial implementation, whilst the Trade Unions refuse to accept such a partial implementation of the contract.

### Actual Trends

**28. Prices.** Starting from September 2004 the price index has marked its cyclic increase, characteristic for autumn and winter months, which as such have been observed in two previous periods – see Fig. 3.1. According to the data of the Statistical Office of Kosovo, the annual inflation rate, as measured by price changes, reached 1.7% in October, while during the September-October 2004 period an increase to 1.8% was detected. These price increases have been caused primarily by the increase in prices of electrical energy, gas and other fuels (12.3%), bread and cereals (5.6%), vegetables (5.6%), use of personal transport vehicles (3.5%) and footwear (1.7%).

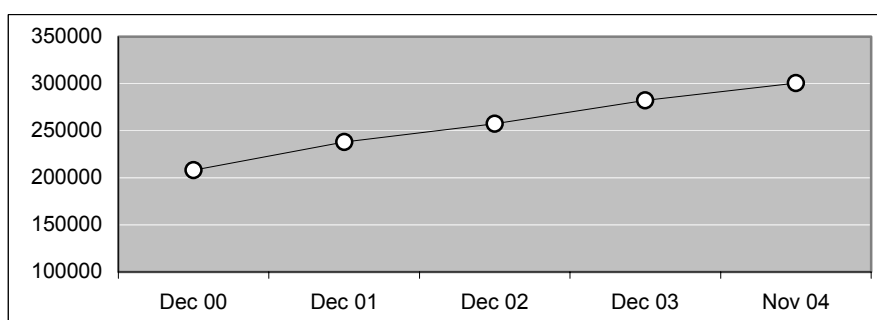


**Fig. 3.1. Consumer Price Index (May 2002=100);**  
Source: Statistical Office of Kosovo, November 2004

**29. Unemployment level.** The number of registered job seekers during the September-November 2004 period has shown a similar increasing trend as in the previous period. In November the number reached 300,697, whilst the number of first-time registered job seekers during 2004 (up to November), stood at 27,380. From this total number of unemployed, about 45% are women.

According to official employment data, 5,888 individuals were employed during the period January – November 2004. Of the overall number of persons employed through employment bureaus during 2004 about 23% were women.

**30.** The expectations of the public regarding employment prospects for the coming six months are hardly positive. About 57% of Albanian respondents, 86% of Serbs and 55% of others consider that conditions for employment are not favorable, whilst only about 11% of Albanian respondents, none of Serb respondents and 14.5% of respondents of non-Serb minorities consider that conditions for employment in the next six months will be favorable (Tables A3.2. and A3.3 in the Annex).



**Fig. 3.2. Number of registered job seekers**

Source: Ministry of Labor and Social Welfare, Pristina, 2004.

**31. Foreign trade exchange.** After a decrease in the volume of trade during the summer months, especially of imports, September has marked a visible increase in trade volume.

A slight positive development is observable comparing the first nine-month-periods of 2004 and 2003. Imports have shown a decrease of 5%, while exports an increase of 27%; thus the trade deficit has decreased by 6% (see Table 3.2). In the absence of domestic production these positive changes cannot be considered as sufficient for decreasing the large trade deficit. At present only 4.5% of imports is covered by exports. The trade deficit continues to be covered by the remittances from the Kosovan Diaspora and external assistance.

**32. Banking system.** Within the period October 2003 - October 2004 an increase in bank deposits from 507.7 to 638.0 million Euros was marked, at the same time the volume of approved loans has increased from 205.2 to 365.1 million Euros (Table 3.3). The largest share of loans have been approved in the trade sector (45%), then in the sector of services, tourism, hotels/restaurants (10%), while to a lower degree in industry (4%), agriculture (3%), construction (5%) and other sectors (33%)<sup>42</sup>.

During this period is marked an increase in transfer of the financial resources of commercial banks to foreign financial markets. In October of last year this increase amounted to 23% in comparison to July.

**33.** Bad loans account for some 2.1% of total loans. This occurs because the loan beneficiaries are not able to properly assess the developments and results of their business policies, but also due to the inefficiency of the courts in determining respective legal contests. For these reasons some banks have started publishing the names of their debtors in some media. The phenomenon of the increase of bad

**Table 3.2. Dynamics of imports and exports during the January – September periods**

	2003	2004	% of changes
Imports	729,2	692	-5%
Exports	24,7	31,4	+27%
Trade deficit	-704,5	-660,6	-6%

Source: BPK, 2004

**Table 3.3. Deposits and loans (mil. €)**

	October 2003	October 2004	Increase (%)
Deposits	507.7	638	25.7%
Loans	205.2	365.1	77.9%
Loans/ Deposits	40.4%	57.2%	

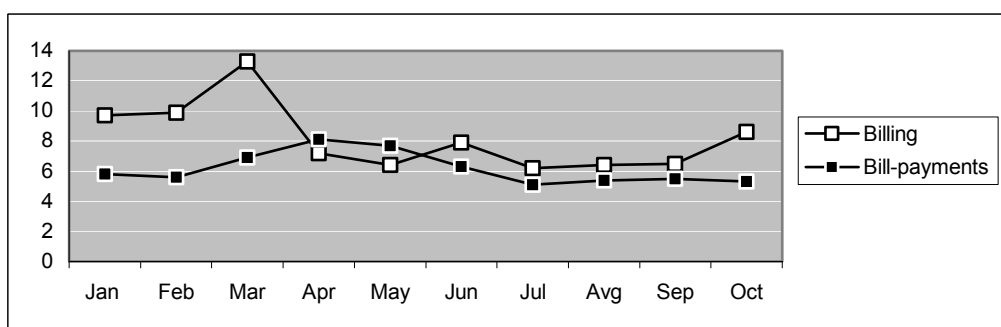
Source: BPK, 2004

<sup>42</sup> BPK, Monthly Statistics Bulletin, October 2004.

loans could cause commercial banks to a greater orientation of their financial resources towards foreign markets<sup>43</sup>.

**34. Energy industry.** Although the electric power supply in the last period has been more stable than earlier, the low level of payment of electricity bills by respective consumers as well as technical losses continue to burden the financial situation of KEK. According to estimates of the KEK management, the level of collection of bill payment is lower than 50%. The structure of debtors is made up both by households as well as enterprises and other governmental and non-governmental organizations. The Serbian enclaves alone have a debt of over 50 million Euros<sup>44</sup> to this corporation, whilst the total amount of debt to KEK is 200 million Euros. Some other financial and technical parameters of the implemented business policy of KEK during the period January – October 2004 are as follows:

- The production of electrical energy for the period January to October 2004 was lower than planned by 11%, whilst imports for the same period were 20% higher than planned.
- The billed energy in the period January to October 2004 was 11.9% lower than for the same period of the previous year. The billing and bill-payment trends during this period are shown on Fig. 3.3.



**Fig. 3.3. The billed and paid energy (million Euros)**  
Source: October Report, KEK, 2004.

### Opinions on corruption and migration

**35.** Domestic and international institutions should do more to fight corruption. During the period September to December 2004 no substantive activity aimed at the uprooting of this phenomenon was observed. For its part civil society continues to act in an individual manner, without any significant impact in the struggle against corruption. The outcome of opinion polls implemented within the framework of the Early Warning Reports is indicative of the seriousness of the problem of corruption in Kosovo. The opinions of respondents expressed in the polling of November 2004 as regards the presence of corruption on a “large scale” in various institutions and organizations are shown in Table 3.4. Generally, the percentage of Serb respondents regarding the degree of presence of corruption is higher than those of Albanian and non-Serb minority respondents. On the other hand, irrespective of the ethnic affiliation of respondents, KEK, the KTA and the PTK, are considered to be the most corrupt of all public enterprises and

<sup>43</sup> In an interview given to KTV, Mr. Ajri Begu, director of the Managing Board of the BPK, stated: “Courts remain the only hope for the paying back of 7.3 million Euros”.

<sup>44</sup> From the interview of July 22, 2004 with Mr. Visar Kelmendi, Financial Manager of KEK: “Despite this, the problems of energy supply of these localities have an increasingly tendency of assuming a political character, with the direct implication of Belgrade in it”.

institutions. Albanian respondents also consider the health care system, customs, international organizations and the education system as very corrupt. Serb respondents consider the health care and education systems less corrupt than Albanians.

**36.** The perceptions of respondents are shaped on the basis of various sources. The largest percentage of opinions about corruption has been shaped by media information or from conversations with friends and relatives. On the other hand, personal experiences of respondents account for opinions of 12% of Albanian respondents and 15% of Serb and non-Serb minority respondents – see Table A.3.4 in the Annex.

**37.** Another problem that in the current unfavorable economic circumstances could seriously affect Kosovo society is the phenomenon of migration from Kosovo. The opinion poll carried out in November 2004 for the purpose of this report has shown that a considerable percentage of respondents are inclined to migrate from Kosovo. About 30% of Albanian respondents, 12.3% of Serb and 43.4% of non-Serb respondents have declared that they intend to migrate (Table A3.5 in the Annex).

Albanian and non-Serb minority respondents have different opinions from that of Serb respondents regarding the reasons for migrating. According to the data presented in Table 3.5, the causes for migration of Albanian and non-Serb minority respondents are economic, whilst those of the Serb respondents are of a political nature.

**Table 3.4. Respondents' opinion on the presence of corruption at large scale in various institutions and organizations (%)**

	Albanians	Serbs	Others
KEK	65.5	60.6	64.0
KTA	37.9	63.0	30.1
PTK	37.7	54.2	37.0
Customs	23.9	48.6	13.2
International organizations	25.4	55.4	11.6
Healthcare	30.7	10.7	17.5
Courts	14.0	47.0	7.1
UNMIK Police	19.9	47.3	3.5
Central administration	14.4	52.9	5.6
Local administration	11.8	26.3	5.6
Education	16.7	8.4	6.9
NGOs	9.5	51.7	12.1
Banks	7.0	47.4	17.7
KPS	4.0	51.0	2.2

*Source: Opinion poll, November 2004*

**Table 3.5. Respondents' reasons for migration (%)**

	Albanians	Serbs	Others
Unfavorable economic situation in the family	54.2	4.2	60.0
Joining family	9.7	4.2	3.6
Dissatisfaction with the current economic situation in Kosovo	30.7	12.5	34.5
Dissatisfaction with the current political situation in Kosovo	4.0	54.2	0.0
Something else	1.4	25.0	1.8
Total	100.0	100.0	100.0

*Source: Opinion poll, November 2004*

## *Inter-ethnic Relations*

### **General situation and opinion polls**

**38.** The September - December 2004 period represents the first post-conflict period with no recorded serious inter-ethnic conflict. Nevertheless, this does not mean that inter-ethnic relations between Albanians and Serbs in Kosovo have reached the degree of mutual tolerance that could provide for a non-confrontational coexistence of these two communities: to a considerable extent lack of direct contact and normal mutual communication between them is still present. On the other hand, inter-ethnic relations between Albanians and non-Serb minorities, except for the Roma minority, are no longer burdened with the problems that were present for a considerable time after the end of the 1999 conflict.

Although no serious incidents between Albanians and Serbs was recorded during the last four months of 2004, their opinions regarding many issues vital for the future of Kosovo and their coexistence in it are almost diametrically opposed. Some of these opinions articulated in the opinion poll of November 2004 should also be viewed from the perspective of the very low turn out of Kosovo Serbs in the Kosovo Assembly elections.

### **39. Opinions on current developments and the future of Kosovo:**

- Serb respondents are much more dissatisfied with actual political developments than Albanian respondents – see Table 2.1 as well as the related comments. The dissatisfaction of Serb respondents has manifested itself as a rising trend for a long time, while for Albanian respondents it has fluctuated.
- For Albanian respondents the unresolved status of Kosovo remains the most serious source of instability in Kosovo, whilst for Serb respondents stability is threatened mostly by the further worsening of inter-ethnic relations – see Table A4.1 in the Annex.
- About 93% of Serb respondents are in favor of Kosovo remaining an autonomous province within Serbia, whilst 91% of Albanian respondents favor independence as the solution of its final status (Table 2.4 in the Annex).

### **40. Opinions about mutual relations:**

- Almost all Serb respondents (98%) are of the opinion that relations between Albanians and Serbs are tense and will continue to be so, whilst Albanian respondents share this opinion to a much lesser degree (about 29%) – see Table A4.2 in Annex.
- Some 73% of Serb respondents are of the opinion that the main factor causing tense inter-ethnic relations are the attitudes of Albanian leaders, whilst about 46% of Albanian respondents consider that the responsibility for this rests in the influence of Belgrade – see Table 4.1. It should be emphasized that only in the opinion poll of July 2004, which was carried

out following the violent protest of March, higher percentage of Serb respondents considered that the responsibility for this was the insufficient efforts of Albanians for integration of Serbs, rather than the attitudes of Albanian leaders.

**Table 4.1. Public opinion on the factors causing relations between Albanians and Serbs to be tense (%)**

	November 2003		March 2004		July 2004		November 2004	
	Albanians	Serbs	Albanians	Serbs	Albanians	Serbs	Albanians	Serbs
Insufficient efforts by Albanians for integration of Serbs	4.4	38.0	5.4	30.0	1.4	54.5	2.8	26.5
Lack of readiness of Serbs for integration into Kosovo society	33.8	0.5	41.4	0.8	43.8	0.0	41.3	0.0
Attitude of Albanian leaders	2.3	60.3	1.2	67.7	1.7	45.5	1.0	73.5
Attitude of Serb leaders	10.9	0.5	9.3	1.5	12.3	0.0	8.6	0.0
Belgrade's influence	48.7	0.5	42.7	0.0	40.7	0.0	46.3	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source: Opinion surveys –November 2003, March 2004, July 2004, November 2004*

- Serb respondents agree to a much higher degree (98%) with the return of displaced persons to Kosovo than Albanian respondents. For Albanian respondents the percentage in July 2004 stood at 67%, whilst in November 2004 it had dropped to some 62%.

#### **Factors that may further aggravate inter-ethnic relations**

**41.** Inter-ethnic relations between Albanians and Serbs in Kosovo, but also wider, are very complex and hence there are numerous factors that can affect their further aggravation. In a wider sense they can be classified as follows:

- Non-participation of Serbs in Kosovo institutions;
- Influence of Belgrade;
- Unilateral decisions of Kosovo institutions.

**42. Non-participation of Serbs in Kosovo institutions.** The non-participation of Serbs in the democratic institutions of Kosovo started a considerable time ago, practically since the violent demonstrations of March 2004, when Serb parliamentarians boycotted sessions of the Kosovo Assembly. However this non-participation has become institutionalized after the elections of October 2004, when the Kosovo Serb turn out was practically symbolic and when, except for Mr. Slavisa Petkovic, no other Serb representative was ready to participate in the Kosovo Assembly<sup>45</sup>.

The non-participation of Serbs in elections and later also in the work of the Assembly represents a considerable obstruction for the fulfillment of that part of the Standards for Kosovo that has to do with minorities. From the Albanian side this is perceived as an intentional obstruction in order to prevent the fulfillment of Standards and thus to prevent the expected beginning of the talks on the status of Kosovo. Consequently, the social distance between Albanians and Serbs is only deepening.

The non-participation of Serbs in the Kosovo institutions could lead to the strengthening of radical Serbs, represented by the Kosovo National Serb Council

<sup>45</sup> As proposed by Prime Minister Haradinaj, on January 26, 2005 Slavisa Petkovic was elected Minister for Returns and Communities.

and the Association of Serb Municipalities of Kosovo. This could cause stagnation of the political process and also a further aggravation of inter-ethnic relations.

**43. The influence of Belgrade.** Although it has been evident that official Belgrade has a major influence on Kosovo Serb leaders, the massive non-participation of Kosovo Serbs in the October election and non-participation of their representatives in the Kosovo Assembly have demonstrated decisively that Kosovo Serb policies have been fully subordinated to the policies of official Belgrade, primarily to that of the government of Serbia headed by Kostunica. The unconditional following of Belgrade directives by Kosovo Serb leaders only reduces the chances for the advancement and improvement of coexistence in Kosovo and inter-ethnic relations in it.

The decision of the governing institutions in Serbia to cut off any formal cooperation with the Kosovo PISG after the election of Mr. Ramush Haradinaj as Prime Minister of Kosovo, as well as the non-recognition of the authority of UNMIK and the PISG in the municipalities with a Serb majority in which the legislation of Serbia<sup>46</sup> is being still applied, also represents an obstacle to the improvement of inter-ethnic relations between Albanians and Serbs in Kosovo.

The propaganda about the armament of Albanians<sup>47</sup>, about the possibility of a re-occurrence of the unrest in March 2004 as well as open demands for the partitioning of Kosovo<sup>48</sup> made by Serb politicians generate fear and lack of confidence amongst Serbs vis-à-vis Albanians.

The continuation of the uncompromising and conditional policies of official Belgrade towards Kosovo will be a further source of aggravation of the relations between Kosovo Albanians and Serbs, but also of Albanian-Serb relations in general.

**44. Unilateral decisions of Kosovo institutions.** As has been emphasized above, the majority of Serb respondents consider that the main factor that generates tension in inter-ethnic relations is the attitude of the leadership of Kosovo Albanians. Consequently, further aggravation of the relations between Albanians and Serbs could also be caused by possible neglect of the interests of the Kosovo Serb community by the Kosovo Assembly or by any other central or local institutions.

Although the participation of Serbs in the fulfillment of Standards is not considered a necessary condition for a positive evaluation of the respective achievements, as it is stressed by various international representatives, the potential failure of the Kosovo leadership and PISG to engage sincerely and uncompromisingly in the fulfillment of the Standards that have to do with minorities and their security will certainly reduce the chances for the integration of Serbs into Kosovo society. The example of Kamenica municipality, where Serbs enjoy freedom of movement and are well integrated into the institutions, should serve to the Albanian majority as a pattern how to ensure the freedom of movement of Serbs and to accept them into the neighborhood of Albanians.

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<sup>46</sup> "Should there be a cooperation with the Government of Kosovo", December 8, 2004, *B92 News*, [www.b92.net](http://www.b92.net).

<sup>47</sup> Ivanovic: "Kosovo full of arms", December 18, 2004, *B92 News*, [www.b92.net](http://www.b92.net)

<sup>48</sup> Covic: "Re-occurrence of March 17 is possible", December 2, 2004, *B92 News*, [www.b92.net](http://www.b92.net)





## *Public and Personal Security*

### **Security situation**

45. According to many domestic and international institutions the security situation in Kosovo has improved substantially in comparison with that prevailing before, during, and just after the violent unrests of March 17-18, 2004. However, there is a lack of detailed official statistics that would substantiate clearly such an appraisal. In their absence, some elements of concern related to the public and personal security situation are presented below:

- The percentage of serious crimes that have been solved is very low. The majority of serious crimes committed in Kosovo after the 1999 conflict remain unresolved. According to available statistics, during 2004 only 16% of crimes have reached the final stage of their proceedings, i.e. judicial proceedings, whilst only 6.3% have reached a final verdict<sup>49</sup>.
- The number of murders is increasing. During 2004, 79 cases of murder were registered in the Pristina region. This means that in the Pristina region alone there were 19 more homicides than in the entire territory of Kosovo during 2003. (The number of homicides in Kosovo during 2004 is even higher than that of 2002, or to the number of cases registered during the 70s).
- 1,546 cases of theft and break-ins, 510 cases of stolen cars and 199 robbery cases were registered during 2004<sup>50</sup>. Although there are no official statistics available, on the basis of some media reports an impression is created that the phenomenon of armed robberies has spread to the whole of Kosovo. The ways and forms in which they are carried out, the degree of their gravity and respective consequences have a direct influence on creating a climate of fear and insecurity for citizens.
- Bomb explosions at various times and places with the aim of causing fear, panic, intimidation or revenge, remain mostly unresolved. The case of the blowing up of the 'Ben-AP' shopping center in Ferizaj/ Urosevac should be highlighted in this context; when a car full of explosives was remotely driven into the middle of the center, near the cash safes, while there were some 300-400 people shopping nearby. The car bomb was remotely activated and blew the center to pieces; fortunately a couple of hours after people were evacuated. Two persons were wounded by the blast, while the shopping center was completely devastated, with material damage being estimated at tens of millions of euros, and loss of job of 200 employees.

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<sup>49</sup> *Koha Ditore*, December 31, 2004

<sup>50</sup> *Lajm*, Decemeber 2004.

## Public perceptions of security and the performance of relevant institutions

46. Public perceptions of security in Kosovo varies depending upon the ethnic affiliation of respondents:

- About 43% of Albanian respondents think that the security situation in Kosovo has improved in comparison with the previous year, while 45% of Serb respondents maintain that security has worsened – see Table 5.1. The opinion regarding the security situation in the surroundings where respondents live is similar (Table A5.1 in the Annex).

**Table 5.1. Opinions regarding the security situation in Kosovo compared with one year ago (%)**

	Albanians	Serbs	Others
The situation is worse	5.8	44.5	7.9
The situation remained the same	51.3	55.0	53.2
The situation is improved	43.0	0.5	38.9
Total	100.0	100.0	100.0

*Source: Opinion poll – November 2004*

- Although respondents generally feel safer in the streets than in previous reporting periods, nevertheless the percentage of respondents that feel ‘unsafe’ or ‘very unsafe’ is still very high. 50% of Albanian respondents and 79.4% of Serb respondents share such a feeling – see Table 5.2. Respondents feel somewhat safer when they are at home (Table A5.2 in the Annex). It should be emphasized that the sense of insecurity of members of the Serb community is much higher than that of the Albanian and non-Serb minority respondents.

**Table 5.2. Respondents’ feeling of safety on the street (%)**

	Albanians	Serbs	Others
Very unsafe	13.1	30.4	10.5
Somewhat unsafe	36.9	49.0	28.2
Somewhat safe	37.7	20.1	46.8
Very safe	12.3	0.5	14.5
Total	100.0	100.0	100.0

*Source: Opinion poll – November 2004*

- Satisfaction with institutions responsible for security is still very high among Albanians and non-Serb minorities, except with the performance of the UNMIK police – see Table A5.3 in the Annex. About 86% of Albanian respondents are “satisfied” or “very satisfied” with the performance of KFOR and 88% with the performance of the Kosovo Police Service (KPS), while 11% of Serb respondents have declared themselves satisfied with KFOR and only 0.5% with the KPS<sup>51</sup>.

<sup>51</sup> It should be emphasized that in all the opinion polls carried out so far within the Early Warning Reports over 90% of Albanian respondents have always been satisfied with the work of the Kosovo Protection Corps. Considering this fact and the positive role of this organization during the March 2004 unrest, a greater engagement of the TMK in potential and hypothetical unrest in the future would be useful.

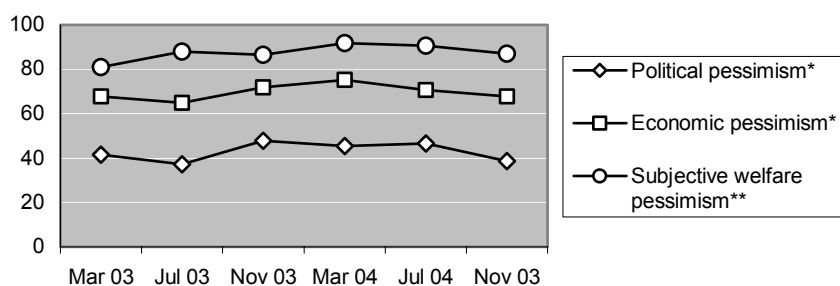
### Causes for protest – have they been exhausted?

47. Spring months have often been months of protest or unrest in Kosovo. This was the case in 1981, 1989, 1999 and so was it again in March 2004. Consequently, especially after the last March unrests, some organizations and institutions (ICG, NATO) anticipate the possibility that they could be repeated in the spring of 2005.

Although the unrest of March 17-18, 2004 have been condemned by all relevant international and domestic actors, so far there little has been done to identify the causes of these events as well as bring perpetrators to justice<sup>52</sup>.

48. The violent March unrest took place in a time of great dissatisfaction with economic and political developments in Kosovo. Such circumstances are favorable for stirring up protests that can then turn into violent unrest. In this respect the related circumstances have not changed substantially compared with those of March 2004. As can be seen in Fig. 5.1, the economic and political pessimism of respondents has shown a decrease in comparison with that of March 2004, however they are still high. According to the opinion poll carried out for this report in November 2004, currently about 68% of respondents are “dissatisfied” or “very dissatisfied” with economic developments, 87% are “dissatisfied” with economic situation of their family, whilst about 39% of them feel the same with political developments (see Table 5.4 in the Annex).

Bearing in mind these circumstances, it can be argued that a considerable



**Fig. 5.1. Political, economic and subjective pessimism of respondents (in %)**

*Source: Opinion polls – March 2003 to November 2004*

percentage of the population could be prompted to express their dissatisfaction. This is likely considering the fact that a large percentage of the perpetrators of the March 2004 unrest were youngsters and that youth unemployment is increasing along with the accompanying sense of lack of purpose.

49. Albanian as well as Serb extremists could both be interested in causing unrest in Kosovo. As relations between Albanians and Serbs in Kosovo are almost completely unsatisfactory<sup>53</sup>, potential unrest could easily be turned into inter-ethnic one, as was the case in March 2004.

50. Considering the grave consequences of the March violence both for the image of Kosovo Albanians as well for Kosovo generally, it is to be expected that Kosovo Albanian institutional representatives would be interested in preventing any escalation of potential unrest. Although their real potential cannot be readily estimated, Albanian extremist groups that are dissatisfied with the overall situation

<sup>52</sup> Only recently, at the beginning of February 2005, has the trial of some suspected perpetrators been announced.

<sup>53</sup> As November 2004 opinion poll indicates around 58% of Albanians and 99% of Serbs think that inter-ethnic relations are tense.

and that aspire the unification of Albanian ethnic territories<sup>54</sup> could be interested in stirring up unrest. Existence of such groups is indicated by some media reports<sup>55</sup>, among which the Albanian National Army and the Front for Albanian National Unification.

Some Serb extremist circles would be interested in provoking new unrest in Kosovo. Their main aim allegedly would be to prevent the integration of Kosovo Serbs into Kosovo society and to prevent any form of the solution of the Kosovo political status that would be favorable for Kosovo Albanians. All projects or plans of Serbian officials have as their aim the keeping of Kosovo within Serbia or Kosovo's partitioning.<sup>56</sup> In this context the alleged formation of Serbian paramilitary units to provide security for Kosovo Serbs should be mentioned as a warning<sup>57</sup>. Their potential activity, based on past experience, could easily turn into provocation of unrest in Kosovo.

51. In order to prevent a repetition of the March 2004 events, relevant Kosovo institutions should be more engaged in improving the trends of political and economic development. At the same time, together with the institutions responsible for public security, they should be coordinated to react in due time to triggers that could provoke unrest and an escalation of violence, especially of inter-ethnic violence.

There could be various triggers for unrest. According to the opinion poll conducted for this report in November 2004, such a trigger for protest would be the further indictment of Albanians by the Hague tribunal; the potential indictment of the actual Prime Minister of Kosovo, Mr. Ramush Haradinaj<sup>58</sup> has been intensively speculated and rumored. According to this poll, about 85% of Albanian respondents have expressed their readiness to protest in such cases – see Table 5.3. It might seem paradoxical, but the stalemate created in the University of Pristina between the Ministry for Education, Science and Technology and University structures relating to the election of the Rector, could trigger protest and other forms of student reaction which can be used by extremist for their goals.

**Table 5.3. Readiness of respondents to protest if Tribunal does more arrests in Kosovo (%)**

	Albanians	Serbs	Others
Yes	85.5	10.8	56.5
No	14.5	89.2	43.5
Total	100.0	100.0	100.0

Source: Opinion poll – November 2004

<sup>54</sup> EWS opinion polls indicate that around 8% of Albanian respondents are in favor of Unification with Albania.

<sup>55</sup> Lajm, December 20, 2004

<sup>56</sup> In November 2004 the Deputy Prime Minister of Serbia and leader of G17, Miroljub Labus, proposed that Belgrade and the international community demand the summoning of an international conference in which the status of Kosovo would be determined in 2005, either within the framework of Serbia or by a partitioning of Kosovo into two entities: *Koha Ditore*, December 13, 2004.

<sup>57</sup> The establishment of these units has been condemned by the director of the Forum for Inter-Ethnic Relations, Dusan Janjic; *Koha Ditore*, December 20, 2004.

<sup>58</sup> Such a possibility has also been anticipated by the most recent International Crisis Group report of January 2005.

## *ANNEX 1. Selected results of the opinion poll*

**Note.** The opinion poll for this Report was conducted in November 2005, by the “Rinvest” polling team. The part of the opinion poll conducted in the Serb enclaves was carried out by a local Serb NGO.

The survey was based on face-to-face interviews, and included 1,262 respondents: 929 Albanians, 204 Serbs, and 129 respondents from other minorities (42 Bosnians, 10 Goranis, 34 Turks, 21 Ashkalis and 22 Egyptians). In order to increase the reliability of opinions of the minority groups, the number of respondents belonging to minorities was chosen to be higher than their percentage participation in the entire population of Kosovo.

The sample was stratified on the basis of geographic regions (7 regions – about 30% living in the Pristina region; percentage distribution in the other Kosovo regions is made according to appropriate percentages before the conflict), and urban to rural population ratio (1:1). The target population was over 18 years of age.

**Table A1.1. Opinions on how important is the continuation of the dialogue for fulfillment of "Standards for Kosovo" (%)**

	Albanians	Serbs	Others
Important	67,1	43,0	83,0
Partially important	26,5	40,7	12,8
Not important at all	6,4	16,3	4,3
Total	100,0	100,0	100,0

**Table A1.2. Opinions on who is responsible for fulfillment of "Standards for Kosovo" (%)**

	Albanians	Serbs	Others
UNMIK	34,7	75,4	29,8
Kosovo Government	30,6	21,9	28,9
Every citizen of Kosovo	34,6	2,7	41,2
Total	100,0	100,0	100,0

**Table A1.3. Opinions on who is responsible for evaluation of the progress achieved in fulfillment of "Standards for Kosovo" (%)**

	Albanians	Serbs	Others
UNMIK	47,4	89,1	55,4
Kosovo Government	20,3	2,7	23,9
Independent Institution	3,4	0,0	2,2
Security Council	26,5	8,2	18,5
Quint States	2,4	0,0	0,0
Total	100,0	100,0	100,0

**Table A2.1. Satisfaction of respondents with the performance of various institutions – “satisfied” or “very satisfied” respondents (weighted %)**

	UNMIK	SRSG	Government	Assembly
Nov-02	63.8	73.1	74.1	76.7
Mar-03	51.9	64.1	74.9	71.9
Jul-03	43.1	71.4	78.1	74.7
Nov-03	28.4	43.1	68.5	65.3
Mar-04	24.7	32.4	73.4	64.3
Jul-04	20.7	-	71.9	59.1
Nov-04	24.1	69.9	72.2	64.5

*Source: Opinion polls – November 2002 to November 2004.*

**Table A2.2. Opinions on institutions responsible for the current political situation in Kosovo (%)**

	Albanians	Serbs	Others
UNMIK	63.4	93.8	60.2
PISG	19.2	4.1	21.3
Political parties	15.5	1.5	15.7
Civil society	1.9	0.5	2.8
Total	100.0	100.0	100.0

**Table A2.3. Opinions on the biggest problems faced by Kosovo (%)**

	Albanians	Serbs	Others
Infrastructure (roads)	0.4	0.5	0.0
Power supply	4.1	6.4	3.9
Urban problems (unregulated building)	0.0	0.0	0.0
Environment	0.1	0.5	0.0
Poverty	14.3	6.9	16.3
Prices	1.0	0.0	0.0
Healthcare services	0.2	0.5	0.0
Public and personal security	0.4	28.6	1.6
Education	0.9	0.0	1.6
Interethnic relations	0.4	7.4	0.0
Unemployment	33.6	36.0	53.5
Uncertainty about the final status of Kosovo	33.8	2.5	15.5
Social problems	1.5	0.5	3.9
The fate of the missing	5.7	1.0	0.8
Organized crime	0.3	3.0	0.0
Unsolved killings and murders	0.8	0.0	0.0
Corruption	1.9	0.0	1.6
Unsocial behavior (prostitution, drugs)	0.4	0.0	0.8
Something else	0.1	6.4	0.8
Total	100.0	100.0	100.0

**Table A2.4. Opinions on the best solution for the future final status of Kosovo (%)**

	Albanians	Serbs	Others
Independence of Kosovo in the present borders	90.8	0.0	93.0
Partition of Kosovo	0.1	6.2	1.0
Same as now (international protectorate)	0.4	0.0	5.0
Unification with Albania	8.7	0.0	1.0
Confederal state within Serbia, such as Montenegro	0.0	1.0	0.0
Autonomous province within Serbia	0.0	92.8	0.0
Total	100.0	100.0	100.0

**Table A2.5. Respondents' satisfaction with municipal administrative services (%)**

	Albanians	Serbs	Others
Very dissatisfied	7.2	6.2	4.2
Dissatisfied	32.2	57.2	23.5
Satisfied	58.2	36.1	67.2
Very satisfied	2.4	0.5	5.0
Total	100.0	100.0	100.0

**Table A2.6. Respondents' reasons for dissatisfaction with municipal administrative services (%)**

	Albanians	Serbs	Others
Speed of service	49.3	10.7	60.0
Quality of service	9.6	14.0	6.7
Efficiency	11.7	22.3	13.3
Complicated procedures	26.5	50.4	20.0
Distance from service centre (municipal building)	2.9	2.5	0.0
Total	100.0	100.0	100.0

**Table A3.1. The percentage of respondents "unsatisfied" or "very unsatisfied" with the current economic situation in Kosovo (valid %)**

	Mar 2003	Jul 2003	Nov 2003	Mar 2004	Jul 2004	Nov 2004
Albanians	66.8	64.8	71.8	75.4	69.0	65.4
Serbs	85.7	76.4	84.9	81.8	95.5	93.1
Others	62.6	56.8	59.5	66.7	71.4	75.2
Total (weighted %)	67.7	65.0	71.8	75.3	70.7	67.7

Source: Opinion polls – March 2003 to November 2004.

**Table A3.2. Respondents' assessment of the current employment conditions (%)**

	Albanians	Serbs	Others
Unfavorable	74.6	86.3	83.9
Neither favorable nor unfavorable	20.6	13.7	16.1
Favorable	4.8	0.0	0.0
Total	100.0	100.0	100.0

**Table A3.3. Respondents' expectations regarding employment conditions six months hence (%)**

	Albanians	Serbs	Others
Unfavorable	57.3	85.6	55.4
Neither favorable nor unfavorable	31.6	14.4	30.1
Favorable	11.1	0.0	14.5
Total	100.0	100.0	100.0

**Table A3.4. Experiences on which are based respondents' opinions on corruption (%)**

	Albanians	Serbs	Others
Personal experience	12.1	14.8	15.0
Talks with relatives and friends	37.1	48.1	37.4
Information through media	50.7	37.2	47.7
Total	100.0	100.0	100.0

*Source: Opinion poll, November 2004*

**Table A3.5. Respondents' intention to migrate (%)**

	Albanians	Serbs	Others
Yes	30.0	12.3	43.4
No	64.7	83.3	46.5
No answer	5.3	4.4	10.1
Total	100.0	100.0	100.0

*Source: Opinion poll, November 2004*



**Table A4.1. Opinions on circumstances threatening mostly stability of Kosovo (%)**

	Albanians	Serbs	Others
Further aggravation of interethnic relations	4.2	77.2	10.2
Current social and economic problems	27.3	2.0	44.1
Deterioration of relations with neighboring countries	1.1	0.0	3.4
Deterioration of relations with international community	4.6	1.0	2.5
Unresolved issue of the status of Kosovo	50.2	11.9	36.4
Lack of rule of law	4.6	4.0	0.8
Corruption and mismanagement	7.9	0.5	0.8
Other	0.1	3.5	1.7
Total	100.0	100.0	100.0

**Table A4.2. Public opinion on inter-ethnic relations between Albanians and Serbs (%)**

	November 2003		March 2004		July 2004		November 2004	
	Albanians	Serbs	Albanians	Serbs	Albanians	Serbs	Albanians	Serbs
Relations are tense and will continue to remain so	35.2	75.5	36.0	83.7	34.6	96.0	28.8	98.0
Relations are tense, but there have been some improvements lately	36.8	16.7	36.6	8.2	32.1	3.5	28.3	1.5
Relations are tense, but there are considerable improvements	15.4	7.3	9.6	7.5	14.6	0.5	18.1	0.0
Relations are not all that tense	8.2	0.5	10.7	0.7	12.6	0.0	14.8	0.0
Relations are not tense	4.3	0.0	7.3	0.0	6.1	0.0	10.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Opinion surveys - November 2003, March 2004, July 2004, November 2004

**Table A4.3. Readiness of respondents to agree with the return of refugees in Kosovo (%)**

	March 2004		July 2004		November 2003	
	Albanians	Serbs	Albanians	Serbs	Albanians	Serbs
I agree with the return of refugees to Kosovo	61.1	98.1	67.0	100.0	61.6	98.0
I do not agree with the return of refugees to Kosovo	38.9	1.9	33.0	0.0	38.4	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Opinion surveys – November 2003, March 2004, July 2004, November 2004

**Table A5.1. Opinions regarding the security situation in respondents' neighborhood compared with one year ago (%)**

	Albanians	Serbs	Others
The situation is worsened	3.8	30.0	5.6
The situation remained the same	52.6	69.5	56.3
The situation is improved	43.6	0.5	38.1
Total	100.0	100.0	100.0

**Table 5.2. Respondents' feeling of safety when alone at home (%)**

	Albanians	Serbs	Others
Very unsafe	7.6	19.2	7.3
Somewhat unsafe	24.2	47.3	17.7
Somewhat safe	45.2	31.0	52.4
Very safe	22.9	2.5	22.6
Total	100.0	100.0	100.0

**Table A5.3. Percentages of respondents "satisfied" or "very satisfied" with the performance of security institutions**

Albanians						
	Mar-03	Jul-03	Nov-03	Mar-04	July-04	Nov-04
KFOR	89.5	85.1	81.4	88.4	85.6	85.7
UNMIK police	74.3	65.5	53.5	57.1	44.2	41.6
KPS	92.6	89.9	89.7	90.5	89.9	88.2
Serbs						
	Mar-03	Jul-03	Nov-03	Mar-04	July-04	Nov-04
KFOR	19.2	26.4	16.4	11.4	10.7	10.6
UNMIK police	14.7	11.3	13.4	3.7	3.7	4.8
KPS	17.9	4.6	14.3	3.0	1.8	0.5

**Table 5.4. Some warning trends related to the overall stability in Kosovo (%)**

	Political pessimism*	Economic pessimism*	Subjective welfare pessimism**
Mar-03	41.7	67.7	80.9
Jul-03	37.3	65.0	87.9
Nov-03	47.9	71.8	86.5
Mar-04	45.4	75.3	91.8
Jul-04	46.6	70.7	90.6
Nov-04	38.7	67.7	87.0

Source: Opinion polls – March 2003 to November 2004.

\* - "Not satisfied" or "not satisfied at all" respondents

\*\* - Economic situation in the respondents' families equal or worse than six months ago

## *ANNEX 2. Events during the period September-December 2004*

### **September**

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- **11 September** - Kosovo Prime Minister Bajram Rexhepi has made the first comment about the decentralization plan of the Serbian Government. "We do not oppose the other (Serbia's) plan only because it is a plan of Serbia, but because it only contains territorial goals, the division of Kosovo, and is a fully political document" said Rexhepi.
- **18 September** - UNMIK Head Søren Jessen-Petersen stated in Brussels that safety, rule of law, protection of minorities, and decentralization were the key Standards for Kosovo, and only upon their fulfillment can talks about the final status of Kosovo begin.
- **22 September** - The Central Elections Commission has announced the start of the electoral campaign.
- **30 September** - A group of 33 Serbs returned to the village of Klina, after spending five years displaced in central Serbia. They would be temporarily housed in a private building while their 25 homes are being restored.

### **October**

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- **2 October** – UNMIK has extended the mandate of Kosovo institutions from three to four years.
- **2 October** – The Holy Synod of the Serbian Orthodox Church has called upon all political factors in Serbia not to "call on Kosovo Serbs to take part in the elections".
- **5 October** – In a television address to nation, the Serbian President Boris Tadic called on Kosovo Serbs to participate in the October 23 parliamentary elections in Kosovo.
- **14 October** – A tragic accident happened in Albania, when a bus traveling to Kosovo went off the road and 15 high school students from Malisheva lost their lives.
- **23 October** - The 2004 elections for the Kosovo Assembly were held.
- **25 October** – The turnout for the elections in Kosovo is satisfactory, UNMIK Head Søren Jessen-Petersen assessed. He explained the low turnout of Serbs with the delayed election campaign of Serb lists and pressure on Serb citizens, even, according to him, by undemocratic means.
- **26 October** – The Central Election Commission and the OSCE have announced preliminary results for the 2004 Assembly elections. The OSCE Head of mission Pascal Fieschi said that the preliminary results would have very little changes from the final results. The elections results are as follows: LDK 45.3%, PDK 28.6%, AAK 8.2%, ORA 6.2%, PSHDK 1.81%, KDTP 1.38%, PD 1%.

## November

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- **8 November** – The top United Nations envoy for Kosovo has decided to hand over more power to Kosovo's government with the creation of new ministries dealing with energy, local self-government, and returns and communities.
- **10 November** – The SRSG Søren Jessen-Petersen appealed to NATO Member States to “stay the course” and maintain adequate force levels as the international community entered a decisive phase. He warned that “if we cannot contain such potential threats to order and security in Kosovo, we will fail in our goal to create a stable multiethnic society in the foreseeable future”.
- **18 November** – The LDK has announced that it has entered a coalition with the Alliance for the Future of Kosovo (AAK), the Albanian Christian Democratic Party (PShDK) and the non-Serb minority political parties.
- **22 November** – Thousands of protesters from all over Kosovo protested in Pristina in support of three former KLA senior officials, Fatmir Limaj, Isak Musliu and Haradin Balaj, who are being tried at The Hague.
- **23 November** – NATO doesn't exclude the possibility of riots in Kosovo. “We are ready for every kind of eventuality. The Possibility of other violent riots is not excluded,” said Robert Serry, NATO Deputy Assistant Secretary General for Crisis Management and Operations.
- **23 November** – UNMIK justice officials announced that in addition to a new indictment that has been filed to against Naser Shatri, three other individuals have been guilty for participating in the March riots, burning and looting a Serb church.

## December

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- **3 December** – The first inaugural session of the second Kosovo Assembly took place. The Assembly re-elected Ibrahim Rugova as president and AAK leader, Ramush Haradinaj, for prime minister, and Nexhat Daci re-elected as Assembly speaker.
- **9 December** – Jose-Pablo Baraybar, head of the Office for Missing Persons and Forensics, presented the activities of this office from 2002 to 2004 in a press briefing. “893 persons have been confirmed dead and the remnants of their bodies have been returned to their families, while 439 have been found alive. The total number of the missing persons in Kosovo is 3,192, out of which 2,460 Albanians, 529 Serbs and 203 from other ethnicities”, Baraybar said during the conference.
- **10 December** – In Graçanica/ Gracanica, a Serb enclave near Pristina, is inaugurated the branch of the Pristina Municipal Court.
- **22 December** – The Kosovo Assembly adopted the government program after its presentation by the prime minister and a several-hour debated by the Assembly members.
- **22 December** – The United Nations outlined a further transfer of economic power to Kosovo institutions, as it speeds up preparations for final status talks on Kosovo.
- **26 December** – The Civic Initiative ORA decided to turn into a political party by the same name. The ORA's assembly elected Veton Surroi as party leader.

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